

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

quarterly payments described above; elimination of AOL's rights to receive further warrants to purchase Common Stock based upon customers gained from the AOL subscriber base; AOL's contribution of up to \$4.0 million per quarter for offline marketing; and establishment of the framework for the Company to offer additional services and products to AOL subscribers. In 1998, as a result of the January 1999 amendment, the Company wrote off \$37.6 million of prepaid AOL, CompuServe and other marketing-related expenses, included in significant other charges (Note 3).

On January 5, 1999, pursuant to an Investment Agreement between AOL and the Company, AOL purchased a total of 4,121,372 shares of Common Stock of the Company for \$55.0 million in cash and the surrender of rights to purchase 5,076,016 shares of Common Stock of the Company pursuant to various warrants held by AOL. AOL agreed to end further vesting under the outstanding performance warrant and retained vested warrants exercisable for 2,721,984 shares of Common Stock. (Notes 9 and 10).

NOTE 3 -- SIGNIFICANT OTHER CHARGES (INCOME)

Significant other income in 1999 includes a gain of \$2.7 million on the sale of certain business units of TSFL Holdings, Inc. (formerly Symetrics Industries, Inc.).

Significant other charges in 1998 includes \$91.0 million of expenses incurred in the fourth quarter of 1998 related to changes in the Company's basic business operations.

As discussed in Note 2 above, the Company negotiated substantial amendments to its agreements with AOL which, among other things, reduced the amount of online advertising to which the Company was entitled to over the remaining term of the agreement and eliminated payments and issuance of warrants to AOL for customer gains and profit sharing payments to AOL. The Company agreed to fixed quarterly payments ranging from \$10 - \$15 million per quarter during the exclusivity period of the agreement and AOL agreed to contribute up to \$4.0 million per quarter for offline marketing. As a result of the amendments, the Company wrote off prepaid AOL, CompuServe and other marketing-related expenses of \$37.6 million.

In connection with hiring a new Chairman and Chief Executive Officer and several other key executive personnel and severance payments relating to this change in management, the Company incurred \$12.7 million of incentive and severance expense.

The Company acquired ADS Holdings, Inc. (formerly Symetrics, Inc.), a manufacturer of digital telephone switching equipment, in January 1998 for \$18.6 million. The Company planned to complete development of the digital switch to provide state of the art features for use in the Company's operations as a competitive local exchange carrier. The Company allocated \$21 million of the acquisition cost to purchased research and development expense in the first quarter of 1998 and continued to invest in additional research and development throughout 1998. In November 1997, the Company acquired Compco, Inc, a provider

of communications software in the college and university marketplace for \$13.7 million, which exceeded the net assets acquired by \$10.6 million. In the fourth quarter of 1998, the Company decided to sell the assets of ADS Holdings, Inc. and to delay entry into the college and university marketplace. As a result, the assets of ADS Holdings, Inc. and Compco, Inc. were written down to expected realizable value. The Company recorded \$15 million relating to the impairment of these assets and reclassified \$22.2 million of research and development expense to significant other charges.

In the fourth quarter of 1998, the Company reconfigured its telecommunications network, OBN, to provide for fiber optic connections among its switches and incurred \$3.5 million of expense.

The Company determined in the second quarter of 1997 to de-emphasize the use of direct marketing to solicit customers for the Company and to focus the majority of its existing direct marketing resources on customer service and support for the marketing operations of its carrier partitions, on a fee basis. The Company recognized fees of \$8.1 million for the year ended December 31, 1997, included in other income, from the services net of related costs of \$14.6 million for the year ended December 31, 1997.

26

10-K · 29th Page of 48

TOC · 1st · Previous · Next · Bottom · Just 29th

TALK.COM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The Company recorded a one-time charge of \$11.5 million as cost of sales in the quarter ended June 30, 1997, primarily as a result of the Company changing its accounting for customer acquisition costs to expense them in the period incurred versus the Company's prior treatment of capitalizing customer acquisition costs and amortizing them over a six month period.

In October 1997, the Company decided to discontinue its internal telemarketing operations which were primarily conducted through American Business Alliance (which was acquired by the Company in December 1996), as part of its restructuring of its sales and marketing efforts, and wrote-off, as cost of sales, approximately \$23.0 million of intangible assets.

NOTE 4 -- MAJOR PARTITIONS

During 1997, one Partition accounted for approximately 13% of the Company's total sales. There were no Partitions that accounted for more than 10% of the Company's total sales in 1999 or 1998.

NOTE 5 -- PROPERTY AND EQUIPMENT

· Download Table

DECEMBER 31,

1999

1998

(IN THOUSANDS)

Land

\$

80

\$

80

Buildings and building improvements	2,801	2,639
Switching equipment	53,101	50,481
Equipment and other	14,791	11,067
	-----	-----
	70,773	64,267
Less: Accumulated depreciation	(13,438)	(7,564)
	-----	-----
	\$57,335	\$56,703
	=====	=====

NOTE 6 -- CONVERTIBLE DEBT

In September 1997, the Company sold \$300 million of 4 1/2% Convertible Subordinated Notes that mature on September 15, 2002 (the "2002 Convertible Notes"). Interest on the 2002 Convertible Notes is due and payable semiannually on March 15 and September 15 of each year. The 2002 Convertible Notes are convertible, at the option of the holder thereof, at any time after December 9, 1997 and prior to maturity, unless previously redeemed, into shares of the Company's Common Stock at a conversion price of \$24.5409 per share, as adjusted for the dilutive effect of the exercise of rights pursuant to the Company's rights offering (Note 9). The 2002 Convertible Notes are redeemable, in whole or in part, at the Company's option, at any time on or after September 15, 2000 at 101.80% of par prior to September 14, 2001 and 100.90% of par thereafter. During 1999 and 1998, the Company reacquired \$80,650,000 and \$152,458,000, respectively, principal amount of the 2002 Convertible Notes and \$66,892,000 principal amount remained outstanding at December 31, 1999.

In December 1997, the Company sold \$200 million of 5% Convertible Subordinated Notes that mature on December 15, 2004 (the "2004 Convertible Notes"). Interest on the 2004 Convertible Notes is due and payable semiannually on June 15 and December 15 of each year. The 2004 Convertible Notes are convertible, at the option of the holder thereof, at any time after March 5, 1998 and prior to maturity, unless previously redeemed, into shares of the Company's Common Stock at a conversion price of \$25.3835 per share, as adjusted for the dilutive effect of the exercise of rights pursuant to the Company's rights offering (Note 9). The 2004 Convertible Notes are redeemable, in whole or in part at the Company's option, at any time on or after December 15, 2002 at 101.43% of par prior to December 14, 2003 and 100.71% of par thereafter. During 1999 and 1998, the Company reacquired \$76,752,000 and \$105,155,000, respectively, face amount of the 2004 Convertible Notes and \$18,093,000 principal amount remained outstanding at December 31, 1999.

The 2002 Convertible Notes and 2004 Convertible Notes that were reacquired by the Company in 1998 were reacquired at an \$87.1 million discount from face amount. This amount is reported as an extraordinary gain in the consolidated statement of operations.

During 1999, the Company (a) purchased from Mr. Daniel Borislow, a founder of the Company and its Chairman of the Board and Chief Executive Officer until he resigned on January 5, 1999, and two trusts for the

benefit of Mr. Borislow's children, \$85,857,000 aggregate principal amount of the Company's Convertible Notes for \$72.3 million in cash; (b) exchanged the remaining \$53.7 million principal amount of subordinated notes of Communication TeleSystems International d/b/a WorldxChange Communications, which were included in other assets at December 31, 1998, to a trust for the benefit of Mr. Borislow's children for \$62,545,000 aggregate principal amount of the Company's Convertible Notes and (c) purchased \$9,000,000 aggregate principal amount of the Company's Convertible Notes for \$6.9 million in Common Stock.

The 2002 Convertible Notes and 2004 Convertible Notes that were reacquired by the Company during 1999 were reacquired at a \$21.2 million discount from face amount. This amount is reported as an extraordinary gain in the consolidated statement of operations.

NOTE 7 -- RELATED PARTY TRANSACTIONS

On January 5, 1999, Mr. Daniel Borislow, a founder of the Company and its Chairman of the Board and Chief Executive Officer, resigned as a director and officer of the Company. The Company entered into various agreements and engaged in various transactions with Mr. Borislow and certain entities in which he or his family had an interest.

The Company paid \$1.0 million to Mr. Borislow, assigned certain automobiles to him, and continued certain of his health and medical benefits and director and officer insurance. The Company also agreed that, so long as Mr. Borislow owns beneficially at least two percent (2%) of the Common Stock (on a fully diluted basis), Mr. Borislow and trusts for the benefit of his children would be entitled to: registration rights with respect to their shares of Common Stock, the right to require the Company to use a portion of proceeds from any public or private sale of debt securities, excluding borrowings from a commercial bank or other financial institution, by the Company to repurchase debt securities of the Company owned by Mr. Borislow or the trusts for the benefit of his children and the right to require the Company to use the proceeds from the exercise of stock options or rights to repurchase Common Stock owned by Mr. Borislow or the trusts for the benefit of his children. The Company also agreed that, so long as Mr. Borislow had such beneficial ownership, the Company would not, without the prior written consent of Mr. Borislow and subject to certain exceptions: (a) engage in certain significant corporate transactions, including the sale or encumbrance of substantially all of its assets, mergers and consolidations and certain material acquisitions, or, (b) for a period of 18 months from the agreement date, offer or sell any of its Common Stock unless and until Mr. Borislow and the trusts have sold or otherwise disposed of all of the shares of Common Stock held by him on the agreement date. In turn, Mr. Borislow terminated his employment with the Company and agreed not to compete with the Company for at least one year. Mr. Borislow also agreed to guarantee up to \$20.0 million of the Company's obligations in connection with the AOL investment noted above.

Effective December 31, 1998, the Company, in exchange for a total of 783,706 shares of Common Stock, (i) sold to Jimlew Capital, L.L.C., a company owned by Mr. Borislow, (a) all of the capital stock of Emergency Transportation Corporation (a wholly owned subsidiary of the Company, the primary asset of which was an interest in a jet airplane), valued at approximately \$8.7 million, and (b) all of the real property constituting the Company's facilities in New Hope, Pennsylvania, valued at approximately \$2.0 million, and (ii) released Mr. Borislow from an obligation for approximately \$4.7 million borrowed from the Company. Mr. Borislow agreed to lease to the Company a portion of the headquarters property at a base monthly rent of \$12,500. The Company had previously determined that it would be desirable to dispose of these assets and accordingly believed that the ownership of these assets was not required for the continued operation of the Company's business. The subsidiary stock and the real property were valued based on the book value of these assets, which the

management of the Company believes approximated the fair market value of these assets on the date of exchange. The Common Stock exchanged for the assets was valued at its market value on the date of the exchanges. On January 6, 2000, the Company repurchased the real property constituting the Company's facilities in New Hope, Pennsylvania for \$2.5 million.

Effective December 31, 1998, the Company, in exchange for a total of 498,435 shares of Common Stock and \$10,007,000 aggregate principal amount of the Company's Convertible Notes, released certain officers, directors and employees from obligations for approximately \$9.8 million and \$9.0 million, respectively, borrowed from the Company.

Also during 1999, in addition to the transactions between the Company and Mr. Borislow or the trusts for his children involving the 2002 and 2004 Convertible Notes, which transactions are described in Note 6 and

28

10-K · 31st Page of 48TOC · 1st · Previous · Next · Bottom · Just 31st

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

included in this Note by this reference, the Company purchased from Mr. Borislow approximately 639,000 shares of Common Stock for approximately \$7.7 million with proceeds from the exercise of stock options by other employees pursuant to the agreements with Mr. Borislow as described above.

At December 31, 1998, executive officers of the Company had outstanding loans from the Company of \$4,237,000 which were repaid during the first quarter of 1999.

NOTE 8 -- LEGAL PROCEEDINGS

On June 16, 1998, a purported shareholder class action was filed in the United States District Court for the Eastern District of Pennsylvania against the Company and certain of its officers alleging violation of the securities laws in connection with certain disclosures made by the Company in its public filings and seeking unspecified damages. Thereafter, additional lawsuits making substantially the same allegations were filed by other plaintiffs in the same court. At this point, no classes have been certified. A motion to dismiss was recently granted as to certain officers of the Company and denied as to the Company. There are currently no officers of the Company who are a party to these actions. The Company believes the allegations in the complaints are without merit and intends to defend the litigations vigorously. The Company also is a party to certain legal actions arising in the ordinary course of business.

The Company believes that the ultimate outcome of the foregoing actions will not result in liability that would have a material adverse effect on the Company's financial condition or results of operations.

NOTE 9 -- STOCKHOLDERS' EQUITY

(a) Stock Splits

On January 3, 1997, the Company's Board of Directors approved a two-for-one split of the Common Stock in the form of a 100% stock dividend. The additional shares resulting from the stock split were distributed on January 31, 1997 to

all stockholders of record at the close of business on January 17, 1997. This stock split has been reflected in the financial statements for all periods presented.

(b) Authorized Shares

During 1997, the Board of Directors and stockholders approved the increase in the number of authorized shares of the Common Stock to 300,000,000 shares.

(c) Contingent Redemption Value of Common Stock

On January 5, 1999, pursuant to an Investment Agreement between AOL and the Company, AOL acquired 4,121,372 shares of Common Stock for \$55.0 million in cash and the surrender of rights to acquire up to 5,076,016 shares of Common Stock pursuant to various warrants held by AOL. Under the terms of the Investment Agreement with AOL, the Company has agreed to reimburse AOL for losses AOL may incur on the sale of any of the 4,121,372 shares during the period from June 1, 1999 through September 30, 2000. The Company has the first right to purchase any of the 4,121,372 shares of Common Stock at the market value on the day that AOL notifies the Company of its intent to sell any of the shares plus an amount, if any, equal to the Company's reimbursement obligation described below. The reimbursement amount would be determined by multiplying the number of shares, if any, that AOL sells during the applicable period by the difference between the purchase price per share paid by AOL, or \$19 per share, and the price per share that AOL sells the shares for, if less than \$19 per share. The reimbursement amount may not exceed \$14 per share for 2,894,737 shares or \$11 per share for 1,226,635 shares. Accordingly, the maximum amount payable to AOL as reimbursement on the sale of AOL's shares would be approximately \$54.0 million plus AOL's reasonable expenses incurred in connection with the sale. The Company has the option of issuing a six-month 10% note payable to AOL to satisfy the reimbursement amount or other amounts payable on exercise of its first refusal rights. Assuming AOL were to sell all of its shares subject to the Company's reimbursement obligation at the closing price of Common Stock as of December 31, 1999, the reimbursement amount would be approximately \$5.2 million. At December 31, 1999, the Company recorded \$5.2 million for the contingent redemption value of this Common Stock with a corresponding reduction in additional paid-in capital. AOL also has the right on termination of long distance exclusivity under the AOL marketing

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

agreements to require the Company to repurchase the warrants to purchase 2,721,984 shares of Common Stock of the Company held by AOL for an aggregate price of \$36.3 million, which repurchase price can be paid in Common Stock, cash or a quarterly amortization, two-year promissory note of the Company. AOL can end the Company's long distance exclusivity period on or after June 30, 2000 by foregoing certain fixed quarterly payments. The Company has pledged the stock of its subsidiaries and has agreed to fund an escrow account of up to \$35 million from 50% of the proceeds of any debt financing, other than a bank, receivable or other asset based financing of up to \$50 million, to secure its obligations under the Investment Agreement with AOL. AOL has agreed that it will subordinate its security interests to permit the securitization of certain future financings by the Company. Mr. Borislow has agreed to guarantee up to \$20,000,000 of the

Company's reimbursement obligations under the Investment Agreement with AOL.

(d) Restriction on Future Sales of Common Stock

As previously reported, the Company was subject to certain restrictions under a registration rights agreement between the Company and Mr. Borislow that could have affected the Company's ability to raise capital and engage in other types of financing transactions. As of December 31, 1999, Mr. Borislow and the two trusts for the benefit of Mr. Borislow's children, which have the ability to distribute Common Stock to Mr. Borislow, held less than an aggregate of 2% of the outstanding Common Stock. Accordingly, the Company believes that the restrictions no longer apply to the Company.

(e) Stockholders Rights Plan

On August 19, 1999, the Company adopted a Stockholders Rights Plan designed to deter coercive takeover tactics and prevent an acquirer from gaining control of the Company without offering a fair price to all of the Company's stockholders.

Under the terms of the plan, preferred stock purchase rights were distributed as a dividend at the rate of one right for each share of Common Stock of the Company held as of the close of business on August 30, 1999. Until the rights become exercisable, Common Stock issued by the Company will also have one right attached. Each right will entitle holders to buy one three-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at an exercise price of \$55. Each right will thereafter entitle the holder to receive upon exercise Common Stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the right.

The rights will be exercisable only if a person or group acquires beneficial ownership of 20% or more of Common Stock or announces a tender or exchange offer which would result in such person or group owning 20% or more of Common Stock, or if the Board of Directors declares that a 15% or more stockholder has become an "adverse person" as defined in the plan.

The Company, except as otherwise provided in the plan, will generally be able to redeem the rights at \$0.001 per right at any time during a ten-day period following public announcement that a 20% position in the Company has been acquired or after the Company's Board of Directors declares that a 15% or more stockholder has become an "adverse person." The rights are not exercisable until the expiration of the redemption period. The rights will expire on August 19, 2009, subject to extension by the Board of Directors.

TALK.COM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 10 -- STOCK OPTIONS, WARRANTS AND RIGHTS

(a) Stock Options

The Company has non-qualified stock option agreements with most of its key employees.

In 1997, 1998 and 1999, the Company granted certain employees and non-employee directors of the Company 2,801,000, 5,535,000 and 3,549,500, respectively, non-qualified options to purchase shares of Common Stock. These options generally become exercisable from one to three years from the date of the grant. In 1997, the Company recognized \$13,371,785 of compensation expenses related to the grant of options and the purchase by an executive officer of shares of Common Stock of the Company's stock at prices below the quoted market price at date of grant and purchase date, respectively. In 1998, the Company recognized \$3.3 million of compensation expenses relating to the grant of 650,000 options to purchase shares of the Company's Common Stock at prices below the quoted market price at the dates of grant or issuance and the issuance of 135,000 shares of the Company's stock.

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock options had been determined in accordance with the fair value-based method prescribed in SFAS No. 123. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1997, 1998 and 1999, respectively: no dividends paid for all years; expected volatility of 55.8% in 1997, 65% in 1998 and 108% in 1999; weighted average risk-free interest rates of 5.49% for 1997, 4.59% for 1998, 5.38% for the first six months of 1999, and 5.85% for the latter six months of 1999; and expected lives of 1 to 10 years.

Under the accounting provisions of SFAS No. 123, the Company's net income (loss) and earnings (loss) per share would have been reduced (increased) to the pro forma amounts indicated below.

[Download Table](#)

	YEAR ENDED		
	DECEMBER 31, 1999		
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)		
	1999	1998	1997
NET INCOME (LOSS):			
As reported	\$78,929	\$ (221,326)	\$ (20,945)
Pro forma	\$68,851	\$ (244,487)	\$ (30,942)
BASIC EARNINGS (LOSS) PER SHARE:			
As reported	\$ 1.29	\$ (3.73)	\$ (0.33)
Pro forma	\$ 1.13	\$ (4.12)	\$ (0.48)
DILUTED EARNINGS (LOSS) PER SHARE:			
As reported	\$ 1.23	\$ (3.73)	\$ (0.33)
Pro forma	\$ 1.07	\$ (4.12)	\$ (0.48)

31

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The following tables contain information on stock options for the three-year period ended December 31, 1999:

[Enlarge/Download Table](#)

	OPTIONS SHARES	EXERCISE PRICE RANGE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, December 31, 1996	8,983,800	\$.32-\$12.00	\$ 6.54
Granted	2,801,000	\$5.67-\$22.06	\$16.02
Exercised	(2,208,812)	\$.32-\$12.78	\$ 4.25
Cancelled	(690,000)	\$5.67-\$13.25	\$11.98
Outstanding, December 31, 1997	8,885,988	\$.32-\$22.06	\$ 9.26
Granted	5,535,000	\$5.75-\$10.44	\$ 7.18
Exercised	(2,853,178)	\$.32-\$13.63	\$ 4.93
Cancelled	(1,337,000)	\$5.75-\$17.50	\$13.01
Outstanding, December 31, 1998	10,230,810	\$4.08-\$14.00	\$ 7.34
Granted	3,549,500	\$8.75-\$17.25	\$11.63
Exercised	(6,773,378)	\$4.08-\$12.78	\$ 7.13
Cancelled	(158,000)	\$5.75-\$11.69	\$ 9.67
Outstanding, December 31, 1999	6,848,932	\$4.58-\$17.25	\$ 9.72

EXERCISABLE AT:	OPTIONS SHARES	EXERCISE PRICE RANGE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
1997	3,866,987	\$.32-\$14.50	\$7.24
1998	4,571,475	\$4.08-\$12.78	\$7.39
1999	2,541,095	\$4.58-\$14.00	\$7.67

OPTIONS GRANTED:	WEIGHTED AVERAGE FAIR VALUE
1997	\$6.99
1998	\$4.83
1999	\$9.71

The following table summarizes information about stock options outstanding at December 31, 1999:

[Enlarge/Download Table](#)

	\$4.58-\$7.00	\$7.01-\$10.00	\$10.01-\$13.00	\$13.01-\$17.25
OUTSTANDING OPTIONS:				
Number outstanding at December 31, 1999	1,767,617	1,595,315	2,543,000	943,000
Weighted-average remaining				
Contractual life (years)	3.68	8.33	6.53	9.86
Weighted-average exercise price	\$ 6.17	\$ 9.03	\$ 10.51	\$ 15.38
EXERCISABLE OPTIONS:				
Number outstanding at December 31, 1999	1,483,450	604,312	433,333	20,000
Weighted-average exercise price	\$ 6.25	\$ 9.00	\$ 10.37	\$ 14.00

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(b) AOL Warrants

On January 5, 1999, after the repurchase from AOL of warrants to purchase 5,076,016 shares of Common Stock, warrants to purchase 2,721,984 shares of Common Stock were held by AOL and were outstanding and currently exercisable, with exercise prices from \$14.00 to \$22.25 and a weighted average exercise price of \$17.03. AOL has the right, commencing on termination of the long distance exclusivity under the AOL marketing agreement up until January 5, 2003, to require the Company to repurchase all or any portion of these warrants at prices (the "Put Prices") ranging from \$10.45 to \$16.82 per warrant (\$36,324,002 aggregate amount). In the event AOL requires repurchase of the warrants, the Company at its election may pay AOL in cash or in shares of Common Stock based on the then current market price for such stock. The Company may also elect to issue a 10% two-year note for a defined portion of the repurchase price. The Company can require AOL to exercise its warrants at any time the market price of Common Stock equals or exceeds two times the then call amount for such warrants. The call amount of a warrant is the Put Price for the warrant increased at a semi-annually compounded rate of 5% on January 5, 1999 and on each six month anniversary thereafter. The Company has certain reimbursement obligations in the event that it requires AOL to exercise its warrants.

(c) Other Warrants

At December 31, 1996, the Company had warrant agreements with certain partitions and the underwriter for its IPO. All warrants were issued with exercise prices equal to or above the market price of the underlying stock at the date of the grant. These warrants are accounted for based on their fair value. At December 31, 1996, 3,712,000 warrants were outstanding with exercise prices ranging from \$4.67 to \$5.73 and an average weighted exercise price of \$5.00 and 600,000 which were currently exercisable at a weighted exercise price of \$5.73. The remaining warrants were exercisable over a one to two year period beginning in January 1997. In January 1997, 800,000 of these warrants were purchased by the Company and recorded as a reduction in additional paid-in capital and 2,662,000 warrants were exercised. The 250,000 warrants issued to the underwriter for the Company's IPO that were outstanding at December 31, 1997 were exercised in 1998.

(d) Rights

The Board of Directors had approved an offering of up to 3,523,285 shares of its Common Stock, \$.01 par value, to holders of record of Common Stock and holders of record of options or warrants to purchase Common Stock at the close of business on December 31, 1998. The shares were offered pursuant to nontransferable rights to subscribe for and purchase shares of Common Stock at a price of \$17.00 per share. Holders of record on the record date, were eligible to receive one such nontransferable right for every 20 shares of Common Stock or underlying options or warrants held on the record date, as applicable. As of December 31, 1999, 38,325 rights totaling \$651,525 were exercised, and 652,547 rights totaling \$11,093,299 were exercised in 2000. These rights expired on February 12, 2000.

NOTE 11 -- INCOME TAXES

The Company reports the effects of income taxes under SFAS No. 109, "Accounting for Income Taxes". The objective of income tax reporting is to recognize (a) the amount of taxes payable or refundable for the current year and (b) deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the financial statements or tax returns. Under SFAS No. 109, the measurement of deferred tax assets is reduced, if

necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized. Realization of deferred tax assets is determined on a more-likely-than-not basis.

The Company considers all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is needed for some portion or all of a net deferred tax asset. Judgment is used in considering the relative impact of negative and positive evidence. In arriving at these judgments, the weight given to the potential effect of negative and positive evidence is commensurate with the extent to which it can be objectively verified.

33

10-K · 36th Page of 48

TOC · 1st · Previous · Next · Bottom · Just 36th

TALK.COM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The Company had net deferred tax assets of approximately \$40.4 million at December 31, 1997. The Company determined that no valuation allowance was necessary at December 31, 1997 because, among other factors, income, which it believed would be indicative of future operations, had been generated in recent years, with the exception of 1997. The loss incurred in 1997 was primarily attributable to amortization of the AOL marketing agreement.

During 1998, the Company continued to incur significant promotional, marketing and advertising expenses attributable to its efforts to increase the customer base. Moreover, competitive factors intensified during the period making gains in subscriber base more costly and more time consuming. Accordingly, the Company provided a valuation allowance against its deferred tax assets at December 31, 1998. The valuation allowance also eliminated the net deferred tax asset that had been recognized in previous periods. The valuation allowance increased the net loss for the period by approximately \$40.4 million. The Company has continued to provide a valuation allowance against its deferred tax assets at December 31, 1999.

The provision (benefit) for income taxes for the years ended December 31, 1999, 1998 and 1997 consisted of the following:

[Download Table](#)

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
	----	----	----
	(IN THOUSANDS)		
Current:			
Federal	\$ --	\$ --	\$ --
State and local	--	--	--
	-----	-----	-----
Total current:	--	--	--
Deferred:			
Federal	--	34,140	(11,111)
State and local	--	6,248	(2,280)

Total deferred	--	40,388	(13,391)
	-----	-----	-----
\$	--	\$ 40,388	\$ (13,391)
	=====	=====	=====

A reconciliation of the Federal statutory rate to the provision (benefit) for income taxes is as follows:

Enlarge/Download Table

YEAR ENDED DECEMBER 31,						
	1999		1998		1997	
	(IN THOUSANDS)					
Federal income taxes computed at the statutory rate	\$ 27,625	35.0%	\$ (62,328)	(35.0)%	\$ (12,018)	(35.0)
Increase (decrease):						
State income taxes less Federal benefit	3,157	4.0	(7,780)	(4.3)	(1,482)	(4.0)
Valuation allowance for deferred tax assets existing at beginning of year	--	--	40,388	22.3	--	--
Valuation allowance changes affecting the provision for income taxes	(31,000)	(39.3)	68,612	37.9	--	--
Other	218	.3	2,496	1.4	109	.3
	-----	-----	-----	-----	-----	-----
Total provision (benefit) for income taxes	\$ --	--	\$ 40,388	22.3%	\$ (13,391)	(39.0)
	=====	=====	=====	=====	=====	=====

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Deferred tax (assets) liabilities at December 31, 1999, 1998 and 1997 are comprised of the following elements:

Enlarge/Download Table

YEAR ENDED DECEMBER 31,		
	1999	1998
	(IN THOUSANDS)	
Net operating loss carryforwards	\$ (71,000)	\$ (65,000)
Deferred revenue taxable currently	(8,000)	(11,000)
Compensation for options granted below market price	(1,000)	(6,000)
Allowance for uncollectible accounts	(3,000)	(7,000)
Federal and state taxes resulting from cash to accrual basis for tax reporting	--	--
Warrants issued for compensation	(9,000)	(18,000)
Depreciation and amortization	8,000	5,000
Accruals not currently deductible	(2,000)	(5,000)
Unrealized loss on investments	--	(3,000)
Net capital loss carryforwards	(8,000)	(5,000)
	-----	-----
Deferred tax (assets) liabilities, net	(94,000)	(115,000)
Less valuation allowance	94,000	115,000
	-----	-----
Net deferred tax	\$ --	\$ --
	=====	=====

subordinated notes of Communications TeleSystems International d/b/a WorldXChange Communications, in exchange for \$62,545,000 aggregate principal amount of the Company's Convertible Notes (Note 6).

In addition, the Company recorded \$5.2 million for the contingent redemption value of the AOL warrant with a corresponding reduction in additional paid in capital.

During 1998, the Company, in exchange for a total of 783,706 shares of Common Stock, sold certain assets to Mr. Borislow and released Mr. Borislow from an obligation borrowed from the Company (Note 7). The Company also, in exchange for a total of 498,435 shares of Common Stock and \$10,007,000 aggregate principal amount of the Company's Convertible Notes, released certain officers, directors and employees from obligations borrowed from the Company (Note 7). In connection with the repurchase of the Company's Convertible Notes, the Company issued 5,084,483 shares of Common Stock with a value of approximately \$69.5 million.

During 1997, the Company recorded an asset of \$20,000,000 in connection with the issuance of warrants to AOL (Note 2). In connection with the acquisition of Compco in 1997, the Company issued 339,982 shares of Common Stock with a value of \$5,625,000.

NOTE 13 -- QUARTERLY FINANCIAL DATA (UNAUDITED)

[Enlarge/Download Table](#)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)				
1999				
Sales	\$110,572	\$117,139	\$140,027	\$148,811
Gross profit	35,874	43,721	54,551	61,652
Operating income	12,355	14,979	15,579	16,642
Income before extraordinary gain	12,334	14,038	14,646	16,682
Net income	31,331	14,038	16,879	16,682
Income before extraordinary gain per share - Diluted	0.20	0.22	0.23	0.25
Net income per share - Diluted	0.50	0.22	0.27	0.25
1998				
Sales	\$ 91,146	\$111,098	\$122,525	\$123,831
Gross profit	14,566	18,040	22,736	31,301
Operating loss	(63,702)	(30,049)	(96,047)	(67,075)
Loss before extraordinary gain	(41,795)	(96,154)	(92,296)	(78,191)
Net loss	(41,795)	(96,154)	(41,734)	(41,643)
Loss before extraordinary gain per share - Diluted	(0.65)	(1.49)	(1.58)	(1.56)
Net loss per share - Diluted	(0.65)	(1.49)	(0.71)	(0.83)

36

10-K · 39th Page of 48

[TOC](#) · [1st](#) · [Previous](#) · [Next](#) · [Bottom](#) · [Just 39th](#)

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 14 - EMPLOYEE BENEFIT PLANS

During 1999, the Company established an Employee Savings Plan that permits eligible employees to contribute funds on a pre-tax basis. The Plan qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code.

Eligible employees may contribute up to 6% of their compensation (subject to Internal Revenue Code limitations). The Plan allows employees to choose among a variety of investment alternatives. The Company does not contribute to the Plan. No administration costs were incurred during 1999.

37

10-K · 40th Page of 48[TOC](#) · [1st](#) · [Previous](#) · [Next](#) · [Bottom](#) · [Just 40th](#)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10 THROUGH 13

Information required by Part III (Items 10 through 13) of this Form 10-K is incorporated by reference to the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on May 18, 2000 which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year to which this Form 10-K relates.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) The following documents are filed as part of this Annual Report on Form 10-K.

1. Consolidated Financial Statements:

The Consolidated Financial Statements filed as part of this Form 10-K are listed in the "Index to Consolidated Financial Statements" in Item 8.

2. Consolidated Financial Statement Schedule:

The Consolidated Financial Statement Schedule filed as part of this report is listed in the "Index to S-X Schedule."

Schedules other than those listed in the accompanying Index to S-X Schedule are omitted for the reason that they are either not required, not applicable or the required information is included in the Consolidated Financial Statements or notes thereto.

38

10-K · 41st Page of 48[TOC](#) · [1st](#) · [Previous](#) · [Next](#) · [Bottom](#) · [Just 41st](#)

TALK.COM INC. AND SUBSIDIARIES

INDEX TO S-X SCHEDULE

PAGE

Report of Independent Certified Public Accountants	40
Schedule II -- Valuation & Qualifying Accounts	41

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
and Stockholders of Talk.com Inc.

The audits referred to in our report dated February 7, 2000, relating to the consolidated financial statements of Talk.com Inc. and subsidiaries, which is contained in Item 8 of this Form 10-K, included the audits of the financial statement schedule listed in the accompanying index for each of the three years in the period ended December 31, 1999. This financial statement schedule is the responsibility of management. Our responsibility is to express an opinion on this schedule based on our audits.

In our opinion, the financial statement Schedule II -- Valuation and Qualifying Accounts, presents fairly, in all material respects, the information set forth therein.

BDO Seidman, LLP

New York, New York
February 7, 2000

TALK.COM INC. AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

[Enlarge/Download Table](#)

<u>DESCRIPTION DEDUCTIONS</u>	<u>BALANCE AT BEGINNING OF PERIOD</u>	<u>ADDITIONS CHARGED TO COSTS AND EXPENSES</u>	<u>DEDUCTIONS FOR WRITE-OFFS</u>	<u>BALANCE AT END OF PERIOD</u>
YEAR ENDED <u>DECEMBER 31, 1999</u> :				
Reserve and allowances deducted from asset accounts:				
Allowance for uncollectible accounts	\$ 1,669	\$25,538	\$(22,196)	\$ 5,011
	*****	*****	*****	*****
YEAR ENDED <u>DECEMBER 31, 1998</u> :				
Reserve and allowances deducted from asset accounts:				
Allowance for uncollectible accounts	\$ 2,419	\$20,593	\$(21,343)	\$ 1,669
	*****	*****	*****	*****
YEAR ENDED <u>DECEMBER 31, 1997</u> :				
Reserve and allowances deducted from asset accounts:				

Allowance for uncollectible accounts	\$ 987	\$ 9,784	\$ (8,352)	\$ 2,419
	*****	*****	*****	*****

41

10-K · 44th Page of 48

TOC · 1st · Previous · Next · Bottom · Just 44th

(3) EXHIBITS:

EXHIBIT
NUMBER

DESCRIPTION

- 3.1 Composite form of Amended and Restated Certificate of Incorporation of the Company, as amended through April 26, 1999 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 10-Q for the quarter ended March 31, 1999)..
- 3.2 Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's registration statement on Form S-1 (File No. 33-94940)).
- 3.3 Certificate of Designation of Series A Junior Participating Preferred Stock of Company dated August 27, 1999 (incorporated by reference to Exhibit A to Exhibit 1 to the Company's registration statement on Form 8-A (File No. 000-26728)).
- 10.1 Employment Agreement between the Company and Aloysius T. Lawn, IV dated October 13, 1998 (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).*
- 10.2 Employment Agreement between the Company and Edward B. Meyercord, III (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996).*
- 10.3 Indemnification Agreement between the Company and Aloysius T. Lawn, IV (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).*
- 10.4 Indemnification Agreement between the Company and Edward B. Meyercord, III (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996).*
- 10.5 Tel-Save Holdings, Inc. 1995 Employee Stock Option Plan (incorporated by reference to Exhibit 10.15 to the Company's registration statement on Form S-1 (File No. 33-94940)).*
- 10.6 Telecommunications Marketing Agreement by and among the Company, Tel-Save, Inc. and America Online, Inc., dated February 22, 1997 (incorporated by reference to Exhibit 10.32 to the Company's Form 10-K for the year ended December 31, 1996).+.
- 10.7 Amendment No. 1, dated as of January 25, 1998, to the Telecommunications Marketing Agreement dated as of February 22, 1997 by and among the Company, Tel-Save, Inc. and America Online, Inc. (incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 1997).+.
- 10.8 Amendment No. 2, dated May 14, 1998, among the Company, Tel-Save, Inc.

and America Online, Inc., which amends that certain Telecommunications Marketing Agreement, dated as of February 22, 1997, as corrected and amended by letter, dated April 23, 1997, and amended by an Amendment No. 1, dated January 25, 1998 (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q, dated August 14, 1998). +

- 10.9 Amendment No. 3, effective as of October 1, 1998, among the Company, Tel-Save, Inc. and America Online, Inc., which amends that certain Telecommunications Marketing Agreement, dated as of February 22, 1997, as corrected and amended by letter, dated April 23, 1997, and amended by an Amendment No. 1, dated January 25, 1998, and an Amendment No. 2, dated May 14, 1998 (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998). +
- 10.10 Letter dated August 25, 1999 from America Online, Inc. to the Company (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated August 27, 1999).
- 10.11 Indenture dated as of September 9, 1997 between the Company and First Trust of New York, N.A. (incorporated by reference to Exhibit 4.3 to the Company's registration statement on Form S-3 (File No. 333-39787)).
- 10.12 Indenture dated as of December 10, 1997 between the Company and First Trust of New York, N.A. (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
- 10.13 Employment Agreement, dated as of November 13, 1998, between the Company and Gabriel Battista (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 20, 1999). *
- 10.14 Indemnification Agreement, dated as of December 28, 1998, between the Company and Gabriel Battista (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 20, 1999).
- 10.15 Stock Option Agreement, dated as of November 13, 1998, between the Company and Gabriel Battista (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated January 20, 1999). *
- 10.16 Stock Option Agreement, dated as of November 13, 1998, between the Company and Gabriel Battista (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated January 20, 1999). *
- 10.17 Severance Agreement, dated as of December 31, 1998, between the Company and Daniel Borislow (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated January 20, 1999). *
- 10.18 Exchange Agreement, dated as of December 31, 1998, among the Company, Tel-Save, Inc. and Mark Pavol, as Trustee of that certain D&K Grantor Retained Annuity Trust dated June 15, 1998 (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K dated January 20, 1999).

- 10.19 Modification of the Exchange Agreement, dated _____, 1999, by and among the Company, Tel-Save, Inc. and Mark Pavol (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
- 10.20 Registration Rights Agreement, dated as of December 31, 1998, among the Company, Daniel Borislow, Mark Pavol, as Trustee of that certain D&K Grantor Retained Annuity Trust,* dated June 15, 1998 and the Trustee of that certain D&K Grantor Retained Annuity Trust II (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K dated January 20, 1999).
- 10.21 Amendment of Registration Rights Agreement dated as of March 18, 1999, by and among the Company, Daniel M. Borislow, and Seth Tobias (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
- 10.22 Amendment of Registration Rights Agreement dated as of March 18, 1999, by and among the Company and Mark Pavol (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).

- 10.23 1998 Long-Term Incentive Plan of the Company (incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K dated January 20, 1999).*
- 10.24 Investment Agreement, dated as of December 31, 1998, as amended on February 22, 1999, among the Company, America Online, Inc., and, solely for purposes of Sections 4.5, 4.6 and 7.3(g) thereof, Daniel Borislow, and solely for purposes of Section 4.12 thereof, Tel-Save, Inc. and the D&K Retained Annuity Trust dated June 15, 1998 by Mark Pavol, Trustee (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
- 10.25 Registration Rights Agreement, dated as of January 5, 1999, between the Company and America Online, Inc. (incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
- 10.26 Sublease Agreement, dated January ___, 1997, by and between Gemini Air Cargo, LLC and RMS International, Inc. (incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
- 10.27 Sublease Agreement, dated as of January 20, 1999, by and between RMS International and Tel-Save, Inc. (incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
- 10.28 Lease by and between Aetna Life Insurance Company and Potomac Financial Group, L.L.C. (incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).

- 10.29 Agreement, effective as of February 28, 1999, by and among the Company, Communication Telesystems International, d.b.a. WorldxChange Communications, Tel-Save, Inc., Mark Pavol, Roger B. Abbott and Rosalind Abbott, and Edward Soren (incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
- 10.30 Form of Indemnification Agreement, dated as of January 5, 1999, for each of George Vinall, Michael Ferzacca and Norris M. Hall, III (incorporated by reference to Exhibit 10.50 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
- 10.31 Form of Non-Qualified Stock Option Agreement, dated as of December 16, 1998, for each of George Vinall, Michael Ferzacca and Norris M. Hall, III (incorporated by reference to Exhibit 10.51 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).*
- 10.32 Employment Agreement, dated as of December 16, 1998, between the Company and Michael Ferzacca (incorporated by reference to Exhibit 10.60 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).*
- 10.33 Employment Agreement, dated as of December 16, 1998, between the Company and Norris M. Hall, III (incorporated by reference to Exhibit 10.61 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).*
- 10.34 Employment Agreement, dated as of December 16, 1998, between the Company and George Vinall (incorporated by reference to Exhibit 10.62 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).*
- 10.35 Rights Agreement dated as of August 19, 1999 by and between the Company and First City Transfer Company, as Rights Agent (incorporated by reference to Exhibit 1 to the Company's registration statement on Form S-A (File No. 000-26728)).
- 10.36 Employment Agreement by and among Vincent W. Talbert, the Company and Talk.com Holding Corp. dated as of June 8, 1999 (incorporated by reference to Exhibit 10.1 to the Company's report on Form 10-Q for the quarter ended June 30, 1999).*

- 10.37 Indemnification Agreement by and between Vincent W. Talbert and the Company dated as of June 8, 1999 (incorporated by reference to Exhibit 10.2 to the Company's report on Form 10-Q for the quarter ended June 30, 1999).
- 10.38 Non-Qualified Stock Option Agreement by and between Vincent W. Talbert and the Company dated as of June 8, 1999 (incorporated by reference to Exhibit 10.3 to the Company's report on Form 10-Q for the quarter ended June 30, 1999).*
- 10.39 Employment Agreement by and between Janet C. Kirschner and the Company

dated as of October 14, 1999.*

10.40 Indemnification Agreement by and between Janet C. Kirschner and the Company dated as of October 14, 1999.

10.41 Non-Qualified Stock Option Agreement by and between Janet C. Kirschner and the Company dated as of October 14, 1999.*

11.1 Net Income Per Share Calculation.

21.1 Subsidiaries of the Company.

23.1 Consent of BDO Seidman, LLP.

27 Financial Data Schedule.

* Management contract or compensatory plan or arrangement.

+ Confidential treatment previously has been granted for a portion of this exhibit.

(b) Reports on Form 8-K.

No Current Reports on Form 8-K were filed by the Company during the three months ended December 31, 1999.

45

10-K · Last Page of 48

TOC · 1st · Previous · Next · Bottom · Just 48th

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 22, 2000

TALK.COM INC.

By: /s/ Gabriel Battista

Gabriel Battista

Chairman of the Board of Directors,
Chief Executive Officer, President
and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

· Enlarge/Download Table

SIGNATURE	TITLE	DATE
/s/ <u>Gabriel Battista</u> ----- <u>Gabriel Battista</u>	Chairman of the Board of Directors, Chief Executive Officer and Director (Principal Executive Officer)	<u>March 22, 2000</u>
/s/ <u>Edward B. Meyerqord, III</u>	Chief Financial Officer	<u>March 22, 2000</u>

----- (Principal Financial Officer)
Edward B. Meyercord, III
 /s/ Janet C. Kirschner Controller (Principal Accounting Officer) March 22, 2000

Janet C. Kirschner
 /s/ Mark S. Fowler Director March 22, 2000

Mark S. Fowler
 /s/ Arthur J. Marks Director March 22, 2000

Arthur J. Marks
 /s/ Ronald R. Thoma Director March 22, 2000

Ronald R. Thoma

46

Dates Referenced Herein and Documents Incorporated By Reference

<u>This 10-K Filing</u>	<u>Date</u>	<u>Referenced-On Page</u>		<u>Other Filings</u>
		<u>First</u>	<u>Last</u>	
	V			
	9/19/95	<u>13</u>		
	12/31/95	<u>44</u>		
	1/1/96	<u>26</u>		
	12/31/96	<u>35</u>	<u>44</u>	<u>10-K, 10-K/A</u>
	1/3/97	<u>31</u>		
	1/17/97	<u>31</u>		
	1/31/97	<u>31</u>		<u>SC 13G/A</u>
	2/22/97	<u>44</u>	<u>45</u>	
	4/23/97	<u>44</u>	<u>45</u>	
	6/30/97	<u>29</u>		<u>10-Q, 10-Q/A</u>
	9/9/97	<u>45</u>		
	10/9/97	<u>27</u>		
	12/9/97	<u>29</u>		<u>8-K</u>
	12/10/97	<u>45</u>		
	12/31/97	<u>15</u>	<u>45</u>	<u>10-K, 10-K/A</u>
	1/25/98	<u>44</u>	<u>45</u>	
	3/5/98	<u>29</u>		<u>424B3</u>
	5/14/98	<u>44</u>	<u>45</u>	
	6/15/98	<u>45</u>	<u>46</u>	
	6/16/98	<u>10</u>	<u>31</u>	
	8/14/98	<u>44</u>		<u>10-Q</u>
	8/31/98	<u>37</u>		
	10/1/98	<u>45</u>		
	10/13/98	<u>44</u>		
	11/13/98	<u>45</u>		<u>8-K</u>
	12/16/98	<u>46</u>		
	12/28/98	<u>45</u>		
	12/31/98	<u>14</u>	<u>46</u>	<u>10-K, 10-K/A</u>
	1/5/99	<u>17</u>	<u>46</u>	<u>3</u>
	1/20/99	<u>45</u>	<u>46</u>	<u>8-K, SC 13D/A</u>

	2/22/99	<u>46</u>		<u>4</u>
	2/28/99	<u>46</u>		
	3/18/99	<u>45</u>		
	3/31/99	<u>44</u>		<u>10-K, 10-Q</u>
	4/26/99	<u>44</u>		
	6/1/99	<u>17</u>	<u>31</u>	
	6/8/99	<u>46</u>	<u>47</u>	
	6/30/99	<u>46</u>	<u>47</u>	<u>10-Q</u>
	8/19/99	<u>32</u>	<u>46</u>	
	8/25/99	<u>45</u>		
	8/27/99	<u>44</u>	<u>45</u>	<u>8-A12G, 8-K</u>
	8/30/99	<u>32</u>		
	9/30/99	<u>10</u>		<u>10-Q</u>
	10/14/99	<u>47</u>		
For The Period Ended	12/31/99	<u>1</u>	<u>47</u>	
	1/1/0	<u>18</u>		
	1/6/0	<u>30</u>		
	2/7/0	<u>20</u>	<u>42</u>	
	2/12/0	<u>35</u>		
	3/17/0	<u>12</u>		
	3/20/0	<u>1</u>	<u>17</u>	
Filed On	3/22/0	<u>48</u>		
Filed As Of	3/23/0			
	5/18/0	<u>40</u>		
	6/15/0	<u>27</u>		
	6/30/0	<u>4</u>	<u>32</u>	
	9/15/0	<u>29</u>		
	9/30/0	<u>17</u>	<u>31</u>	
	6/30/1	<u>4</u>	<u>14</u>	
	9/14/1	<u>29</u>		
	9/15/2	<u>29</u>		
	12/15/2	<u>29</u>		
	1/5/3	<u>35</u>		
	6/30/3	<u>4</u>	<u>14</u>	
	12/14/3	<u>29</u>		
	12/15/4	<u>29</u>		
	8/19/9	<u>32</u>		

[Top](#)[List All Filings](#)

Alternative Formats: [Rich Text / Word \(.rtf\)](#), [Text \(.txt\)](#), [EDGAR \(.shtml\)](#), [XML \(.xml\)](#), et al.

Copyright © 2000 Finnegan O'Malley & Company Inc. All Rights Reserved.
www.secmf.com - Sat, 15 Apr 2000 09:51:56 GMT - help@secmf.com
